

**Background Press Briefing  
On WTO Ministerial in Cancun  
Washington, D.C.  
September 5, 2003**

Good morning. I thought we were going to serve you breakfast but (laughter)....I hope that doesn't mean that you're really hungry. Or anyway, looking for something or someone to chew on.

Thanks for coming early. It's been a really busy day since we need to get to Cancun this weekend. And you all know very well what Cancun is, and that's of course the midpoint in the negotiations. And what we see as the purpose of this ministerial is to review the status of the negotiations and then to provide the appropriate direction so that the negotiators can go back to Geneva and complete the negotiations in the timeframe that was set out in Doha. Basically, the way we are looking at this is we continue to have a very high level of ambition with respect to the content of what we are seeking in the Doha negotiations. We remain aggressive on the timetable; that is, that we are looking to complete these negotiations in the timeframe that was established by the ministers. And our focus remains that of opening markets.

And so, specifically, the areas of market access in the negotiations in agriculture—and when I say market access in agriculture I'm talking about all three pillars, not just the one pillar of market access—market access in consumer and industrial goods, and market access in services. And the reason for this orientation is basically reflecting on our own experience in the United States where, as you know, trade played such an important role first of all in the growth during the 90s, and continues to play an important role in our economy. Trade—exports and imports and earnings from foreign investment—are equivalent to something like 28 percent of our GDP.

And it's an important element in our economic growth, and we expect to see our economy improving in its growth and the way to extend that growth, and the benefits of that growth, to the rest of the world, and frankly, to keep the growth going in the United States is to expand trade through opening markets. This is the Doha development agenda. There are a lot of individual so-called development issues, but nothing is more important to development than economic growth. If you don't have economic growth, you don't have the resources to pursue your development plans and you don't have the people's welfare expanding. So, that is our orientation as we go to this meeting.

As you know, the ministers will be working with the document that has been prepared by the Chairman of the General Council, Carlos Perez del Castillo. It is not a consensus document. It is a document that Carlos put together, his best estimate of where the center of gravity is in the negotiations in the various areas. He's made it very clear in a letter to the ministers what the situation is, he's identified where there are important differences to be ironed out, where the ministers need to be concentrating their attention, and we'll get to those in a minute.

Our view on the paper, like everyone else's, is that we certainly would not have written it that way. There are things in there that are of concern to us; there are things that are important to us that are not in the paper. So what we expect is that people will start very quickly in Cancun to identify either the missing elements or the ones that they have problems with, and then those issues will be taken up by the ministers. Ambassador Zoellick met yesterday with Secretary Derbez. Secretary Derbez outlined how he sees the ministerial, and the approach that he's going to take. As in other ministerials, he will have a group of facilitators, that is, individual ministers who he will assign to help move various issues to a conclusion. So, we will work of course with—that's a very familiar sort of format, or way of handling the meeting.

Let me identify what we see as the main issues requiring ministerial attention as we go into Cancun. And I'm going to group them into four categories:

The first one is the question of the level of ambition that we can achieve in the agriculture and non-agricultural market access negotiations. And, as you know, the United States has been very ambitious throughout this. On agricultural market access, we put forward a very ambitious proposal last summer. Then we put forward one on non-agricultural market access. And on services, we made requests and offers of everybody else in the membership. But we have tried not to simply be peddling our own positions. Obviously we are pushing our interests, but we also see a responsibility as the major trading partner, and major trader in the world, of trying to bring the system to a successful outcome, and therefore, that's why we did, with the European Union, for example, the common—I shouldn't use "common agricultural paper, I don't want to use that phrase (laughter). We did a joint paper, and, you know, it wasn't what we would have written, it wasn't what the Europeans would have written, but it was an attempt to find some basis on which we could at least find some common ground, and we thought would provide a platform for others to find common ground. And this is something where, you never win.

When we were up in Montreal at the informal ministerial, the countries were all saying, "Look, the E.U. and the U.S. have got to get their act together and come together on agriculture in some way, or else we're not going to be able to succeed." So they were saying, you know, work on a joint position. Even if they say that, they're very nervous that if we work on a joint position, that it won't be exactly what they want. And so we did the joint position, and of course, there's the criticism of it, but the main thing is that it stimulated the agricultural talks. And the agricultural talks were nowhere. It forced others to really think for themselves, "OK, what is in here that we can live with, what is it that we can't live with?" And so we've seen subsequent papers brought forward by various countries or groups of countries. And that's what the negotiating process should be. So in that sense, the U.S.-E.U. paper has been a huge success. If you look at the framework in which others have responded, or the framework in which Carlos has done his paper, it's basically the framework that was used in the U.S.-E.U. joint paper.

Similarly, in non-agricultural market access, we worked again with the E.U. and with Canada to put together a joint paper, because we saw that there were real shortcomings in

the papers that were done by the Chairman of the Non-agricultural Market Access Negotiating Groups, Pierre Louis Gerard. I don't want to take anything away from his effort, he made a great effort, but we felt that the original approach really missed the boat in terms of things like harmonizing formula, and in terms of the way he dealt the developing countries in his papers. So again, we feel that our work with other countries has stimulated the negotiations and that the United States is seen as the country that is leading and trying to broker common positions.

One other thing I'll say about ambition is that we are the country, maybe the only country, that is consistently ambitious in the following sense. We're ambitious in agriculture — well, of course, Brazil is ambitious in agriculture, too; India isn't, the European Union isn't. But we're also ambitious in non-ag market access, where Brazil is not ambitious in non-ag market access, the European Union is somewhat ambitious, India is not ambitious. And we are ambitious in services, and India has some interest there, but Brazil doesn't seem particularly ambitious in services. So if you look around and say, "Who is the country that is most consistently pushing ambition in this round?"—across all the key areas, it is the United States.

All right, so that's ambition. That's the first issue that ministers have to deal with. Second is whether to proceed with the Singapore issues. You know those issues very well, the four issues of investment, competition policy, transparency in government procurement, and trade facilitation. The European Union and Japan have said that it is critical for them that there be a decision to negotiate in these four areas. On the other hand, particularly with respect to investment and competition policy, you've got developing countries who are very strongly opposed. India, for example, is very strongly opposed. African countries, by and large, are opposed. They basically feel, certainly the Africans, this is more than the traffic can bear, that these are new subjects, especially investment and competition policy, that they need more time to absorb them, and that we should continue to negotiate on what's already agreed on for negotiation. So this is going to be a very difficult issue.

You've undoubtedly seen Carlos' paper, and you know that he deals with this in two options. One option is: Yes, there will be negotiations and here are some modalities for the negotiations. And the other option is: Don't go to negotiations now, continue the clarification process. His modalities for transparency in government procurement and for trade facilitation, those modalities are much closer to consensus than the modalities for investment and for competition policy. The modalities for transparency and for trade facilitation—they've been worked over a period, really, of years, and while there are still some differences, they're not as controversial as the other two subjects. So that's the second set of issues, the Singapore issues.

The third set of issues are the developing country issues. As you know there's been a lot of work done on reviewing how various provisions of the WTO have operated and whether they can be made more operational, some of these areas, especially differential treatment. There's a very good package of measures, I think it's 23 or 24, that are agreed upon, at least among the group that's been working on it, led by Carlos Perez del Castillo

again. The question will be whether the ministers adopt those; we think that they certainly should, and move on to continue to work on developing country issues.

There are also, among the developing country issues, and it's related to market access, is this concern about the erosion of their margin of preference in the tariff area. So that countries such as the African countries that have preferential access under AGOA or GSP or similar programs in developed countries, they're concerned that as the MFN level of tariffs come down, in developed countries, that their advantage, their larger preference, will be eroded. We have been absolutely clear since 1974, when we put in the GSP, that we do preferential access, but that under no circumstances is that meant to be an impediment to global liberalization, which is actually a more optimal situation. That said, countries that have embarked upon exporting with the help of these preferential schemes may—*may*—have some adjustment problems. It's not across the board, but it's in certain countries and it's in certain commodities. And we've been talking, and others have been talking, to the IMF, the World Bank, the Inter-American Development Bank—you may have seen letters that have been sent by the presidents of those institutions, indicating that they are prepared to work with countries on these subjects to identify where there are adjustment needs, to help these countries adopt policies themselves that can adjust, but then also to use resources and programs of these international institutions to help provide if there needs to be some financial and technical support during a transition period.

So that's an important developing country issue. The one that countries were most—were identifying as the top priority for solving by Cancun, has been solved, and that is, of course, the TRIPS in medicine. And Ambassador Deiley, our Ambassador in Geneva, is the one who really deserves the credit for that. She and the Chairman of the TRIPS Council, the Singapore Ambassador to the WTO, spent countless, countless hours working through the various problems that people had and eventually coming up with an outstanding solution that provides an opportunity—the facility by which—countries that don't have the capability to produce these life-saving medicines for national health crises can get it through a compulsory license that's issued in a third country, in another country. And yet in a way that does not undermine the patent system, which is important for generating new cure. So those are among the developing country issues.

One thing I really want to emphasize on the developing country front is that we are prepared, the United States is prepared, to be flexible in terms of how these countries, what sorts of obligations they have, whether it's in market access or elsewhere. What is important is that we be working from a single system, and that within a single system, you have flexibility—as opposed to having one system over here for developed countries and a different system over here for developing. What that means, for example, to make it concrete, is, in market access, there ought to be one formula. But, within that formula, there ought to be allowed some flexibility for developing countries.

And that flexibility can take a variety of forms. For example, you can have a formula that everybody adheres to, but then you say for developing countries, for a certain percentage of their trade, instead of doing the formula, they can do something that is less

than the formula. So that would be one example of giving developing countries flexibility, but within one system, and not living in a completely different system. Or, you could say, you know, for developing countries, particularly the poorest ones, who have not even bound all their tariffs, that, well, instead of doing tariff cuts, that maybe the least developed countries, their obligation would be to bind all their tariffs. And that's part of getting into the one system. The one system is one in which you should be indicating that, on each tariff, the maximum you'll charge is whatever you said, it's a bound rate, and you commit yourself not to go above that. Many developing countries haven't even gotten to that stage. They've got a tariff schedule, and some of the items are bound, but some of the time, the majority of them, there's no upper limit on what they can do within the WTO. So, getting them into the system, in the first instance, is saying, "you bind your tariffs at some level."

Of course we would envision giving developing countries a longer time period to put into effect their obligations. So that is our approach. It's flexibility within a single system, and we think that that allows us to set the overall level of ambition higher, than simply bringing the whole level of ambition down to the level of what the least capable country is capable of, is able to do.

All right, so the fourth issue is management of balance. There are several other issues that aren't really up front in the negotiating agenda, but that are important for providing balance in the package so that everybody feels that they're getting some benefit from it. These are things like some of the environmental issues—some of those are controversial, some are not; issues such as the geographic indications, where there are a number of dimensions to that; and so, that's kind of the other basket. So we've got four baskets of issues that the ministers need to deal with: ambition in market access; Singapore issues; development issues; and then other balance issues.

So, that is at least one way of organizing the thinking about what issues they have to deal with, and I think what I will do is I will end there so that you have time for questions. Again, the main thing that I want to stress is that we are pushing for ambitious content within an aggressive timeframe, and with the focus on market access. We think that that is the most significant contribution to development, not to mention to global economic performance and our own performance, that we can provide to these trade negotiations.

Any questions?

Reply to a question: We think that with proper direction from the Ministers, the negotiations can be completed in the time frame that has been established, so we are not envisioning altering the schedule. In the first question, what will give the countries the political will to .... You are never 100% sure, but I think that one of the things we want to do is to ... Ministers are different from the officials that are doing the day-to-day negotiations. Presumably Ministers have a broader vision and they are getting instructions from their Presidents, and so what we hope is that through these Ministerial discussions, the Ministers will weigh in on their broader interests and recognize that look at where the global economy is and how are we going to do our part to stimulate growth

and then whatever growth there is in the economy, for example in the U. S. economy, how do we get that to spread and to be kind of self-reinforcing. We think that the evidence is very clear that one way to do it, or one contribution, is through opening markets and trade liberalization. If you look at different work that has been done, for example by the World Bank or by various universities, it is quite clear that for development, trade has an enormous impact. The World Bank, for example, based on research, they say that if you eliminated trade barriers on goods alone, not services, the developing countries would gain 540 billion dollars per year. Three-quarters of this would come from removing their own barriers. If you look at services, if you eliminate trade barriers on services, that would mean another 900 billion annual gain for developing countries, so you are talking about almost one-and-a-half trillion dollars that would be a benefit to developing countries. We are aware of these figures and I think a number of developing countries are and those developing countries that have harnessed trade are speaking out and pushing, and that should provide a different orientation for the negotiations.

Reply to another question: The one thing I can tell you for sure about Ambassador Zoellick's schedule: It's fluid, in the following sense. I am not trying to be coy; it's a fact. What we are doing, and other countries are doing the same thing, is the first two days, Monday and Tuesday, before we have the formal opening, we are setting up a series of bilateral meetings, and when I say bilateral, some of them are strictly bilateral, individual with another partner, and some of them are with groups of countries. Basically the focus, of course, is what it is that you, the one with whom we are talking, our interlocutors, see as the most important things to achieve here at Cancun. What do you see as the problems, and how are we going to get around the problems? Bob is very much a problem-solving type of person. He sort of likes to break down the rhetoric and say, "OK, what are the things that you really need or that you are really concerned about and then let's see how we can figure out how to resolve them in a way that is also satisfactory to us." So certainly before any of these we always meet with the trading partners—including Commissioner Lamy—but we'll be meeting with Africans, with Latins, with the Caribbeans, with Arab countries, with our ASEAN partners. We'll have bilaterals with individual countries as well, and Christine Davies is trying to juggle all these things, and enable Bob to meet with the whole range of players before we get into the formal part of the meeting on Wednesday.

Reply to next question: I would expect that there would be groups that would be proceeding simultaneously on the different issues, but I can tell you for sure that for many countries, as they are working on non-ag market access or as they are working on the Singapore issues, they are going to be keeping their eyes open as to what is going on in agriculture. Some have been absolutely explicit about that. Brazil and a number of the CAIRNS groups, some of the Latin-American countries have said that. So I think we can probably only go so far on some of the other issues unless there is the progress and ultimately a solution on agriculture.

Answering a question: With 146 countries, there is always a fair amount of brinkmanship in it, so I wouldn't look to see an announcement on solving agriculture on

the first morning that we are there and it will probably take well into the week, maybe even until the very end. That's why it is so important that these other groups be, in a sense, figuring out where the solutions to their problems are. Even though people don't go that last step and say it is fine with me, so agriculture is late we don't turn around and say, "Oh, my God, we've got seven more days to do these other things. We are going to have to extend it."

Answer to question: Well, I wouldn't characterize it quite that way. Basically what we want to do is that we want to push the negotiations as far as we can in the week we are there and get the very best directions that we can. There certainly is kind of a minimum level that you've got to have if you really expect that the negotiations are going to move forward well. We are going to try to get as strong directions as possible, or at least to set up the framework in which it is a platform for pursuing an ambitious negotiation. But it is not just, let's just go there and spin our wheels for six or seven days or whatever we come out with, we are going to say, "What a great success." I think we have started. The paper that Carlos has done provides a very good basis for this. We don't like everything in it, but if we were able to get an outcome that was roughly of that magnitude and with that kind of level of direction, then I think we would be in good shape as far as being able to go forward with the negotiations. It would still be an enormous challenge and a tremendous amount of work, but we would have guidance that the negotiators could work with.

I think we can take three more questions.

Reply: First of all, those are three countries that have very different sets of issues. And although they are at the moment all signers of this Group of Twenty paper, they have very, very different interests. Look at Brazil, which of course is a big agricultural power and that is their Number One, and Number Two and Number Three goal here. India is quite the opposite. And China has a different set of issues. So we can't approach them the same, because they are very different, as are all of the developing countries. So basically on that, our main approach on that is to understand from each of these countries what their particular concerns are with the paper on agriculture that is before the Ministers, and to share with them what our concerns are. As I said before, to break down the issues, and say, "All right, Brazil, what specifically—don't just say, 'our paper that of the Group of Twenty, is a better paper'—what are the specific things you have a problem with?" And that would be the approach we would take for all three, and we would certainly get very different answers from each of the three. So then the question is, among those countries and what we hear from others, can we find some middle ground that, although it won't resolve all issues, some issues will be left for negotiation of differences, but do we do it in a way that countries still feel that they can still pursue their core interests within the negotiating frame, and then it's up to their negotiators to see how well they do.

Next reply: Well, I think that for many, maybe most Latin American countries, agriculture is key. So what we are hoping from the Latin American countries is that they will maintain their high level of ambition and enable us, particularly in market access in

agriculture, to have a very robust, or at least the possibility of a very robust approach there; that is, one that will dramatically bring down tariff barriers, particularly those that are quite high, and that will deal with other barriers to trade in agriculture. So we hope that they will not give up their level of ambition on that, but that they will also recognize that in order to get moving on agriculture, and even for their own long-term economic prospects, there needs to be market opening in non-ag market access as well. And services. And that there are enormous opportunities for services for developing countries in this hemisphere. That is what we will be hoping for and working on with our Latin American partners.

Reply to question: Basically, understandably there is so much attention, and not just by the press and the public, but by the countries ourselves, on Ag and non-ag market access because they are difficult issues. Meanwhile, the services negotiations have been going on. We want to remind people of these figures that I cited, too, that services are an enormously important dimension for all of us if you look at the percentage of our employment and of our GDP that is in the services area and similarly for the developing countries where a majority of their GDP in many countries is in services. So what you said in practical terms is certainly the main thing is to get more countries, especially developing countries, to make offers and to make requests and then also to improve their offers, particularly in those services that are key toward the structure of development. Things like financial services, telecommunications and other information technology services, distribution services and those things that have to be operating efficiently if you are going to have a vibrant economy. So that is basically what he means by an economy of services.